

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2006 Election)</b>		
Todd Ramsey	President	2006
Carol Engelken	Vice-President	2008
Tammy Carolan	Board Member	2006
Scott Millikin	Board Member	2007
Kelly Bonar	Board Member	2007
<b>Board of Education</b>		
<b>(After September 2006 Election)</b>		
Carol Engelken	President	2008
Scott Millikin	Vice-President	2007
Mark Boies	Board Member	2009
Tammy Carolan	Board Member	2009
Kelly Bonar	Board Member	2007
<b>School Officials</b>		
Alan Marshall	Superintendent	2007
Vanessa Raue	District Secretary/Treasurer/ Business Manager	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Center Point-Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center Point-Urbana Community School District, Center Point, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2008 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ending June 30, 2005 and we audited the financial statements for the year ending June 30, 2006 (which are not presented herein) and an unqualified opinion was expressed on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,816,410 in fiscal 2006 to \$9,361,424 in fiscal 2007, while General Fund expenditures increased from \$9,192,367 in fiscal 2006 to \$9,576,779 in fiscal 2007. This allowed the District's General Fund balance to decrease from a deficit \$268,045 in fiscal 2006 to a deficit \$482,900 in fiscal 2007, an 80.16% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and local sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Center Point-Urbana Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Center Point-Urbana Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Center Point-Urbana Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Center Point-Urbana Community School District Annual Financial Report***

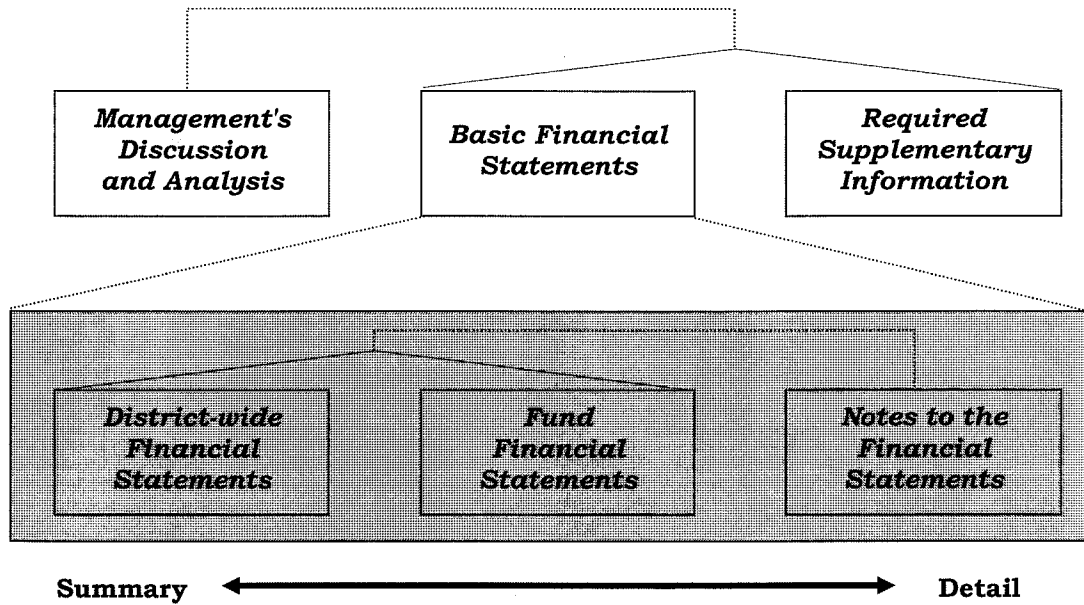


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are the funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 8,425,591	8,405,198	52,150	16,308	8,477,741	8,421,506	0.67%
Capital assets	8,571,746	6,616,466	38,102	38,043	8,609,848	6,654,509	29.38%
Total assets	16,997,337	15,021,664	90,252	54,351	17,087,589	15,076,015	13.34%
Long-term obligations	8,134,730	8,536,540	0	0	8,134,730	8,536,540	-4.71%
Other liabilities	7,603,476	5,425,205	96,087	55,058	7,699,563	5,480,263	40.50%
Total liabilities	15,738,206	13,961,745	96,087	55,058	15,834,293	14,016,803	12.97%
Net assets:							
Invested in capital assets, net of related debt	1,255,545	1,127,142	38,102	38,043	1,293,647	1,165,185	11.03%
Restricted	564,740	151,750	0	0	564,740	151,750	272.15%
Unrestricted	(561,154)	(218,973)	(43,937)	(38,750)	(605,091)	(257,723)	-134.78%
Total net assets	\$ 1,259,131	1,059,919	(5,835)	(707)	1,253,296	1,059,212	18.32%

The District's combined net assets increased by 18.32%, or \$194,084, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$412,990, or 272.15% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$347,368, or 134.78%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund and School Nutrition Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,004,636	1,286,784	398,456	386,593	1,403,092	1,673,377	-16.15%
Operating grants and contributions and restricted interest	1,044,640	958,580	161,810	153,330	1,206,450	1,111,910	8.50%
Capital grants and contributions and restricted interest	0	1,486	0	0	0	1,486	-100.00%
General revenues:							
Property tax	3,372,031	2,969,102	0	0	3,372,031	2,969,102	13.57%
Local option sales and service tax	257,485	265,640	0	0	257,485	265,640	0.00%
Unrestricted state grants	4,960,189	4,525,583	0	0	4,960,189	4,525,583	9.60%
Other	430,657	70,323	1,166	436	431,823	70,759	510.27%
Total revenues	11,069,638	10,077,498	561,432	540,359	11,631,070	10,617,857	9.54%
Program expenses:							
Governmental activities:							
Instructional	6,871,183	6,306,041	0	0	6,871,183	6,306,041	8.96%
Support services	2,880,799	3,013,551	6,166	0	2,886,965	3,013,551	-4.20%
Non-instructional programs	0	0	560,394	553,933	560,394	553,933	1.17%
Other expenses	1,256,637	785,641	0	0	1,256,637	785,641	59.95%
Total expenses	11,008,619	10,105,233	566,560	553,933	11,575,179	10,659,166	8.59%
Excess(deficiency) of revenues over(under) expenditures	61,019	(27,735)	(5,128)	(13,574)	55,891	(41,309)	-235.30%
Other financing sources, net	138,193	0	0	0	138,193	0	100.00%
Change in net assets	199,212	(27,735)	(5,128)	(13,574)	194,084	(41,309)	-569.83%
Net assets beginning of year	1,059,919	1,087,654	(707)	12,867	1,059,212	1,100,521	-3.75%
Net assets end of year	\$ 1,259,131	1,059,919	(5,835)	(707)	1,253,296	1,059,212	18.32%

In fiscal 2007, property tax and unrestricted state grants account for 75.27% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$11.63 million of which \$10.07 million was for governmental activities and \$.56 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 9.54% increase in revenues and a 8.59% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

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## Governmental Activities

Revenues for governmental activities were \$11,069,638 and expenses were \$11,008,619.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 6,871,183	6,306,041	8.96%	5,190,415	4,386,658	18.32%
Support services	2,880,799	3,013,551	-4.41%	2,877,923	3,013,551	-4.50%
Other expenses	1,256,637	785,641	59.95%	891,005	458,174	94.47%
Totals	<u>\$ 11,008,619</u>	<u>10,105,233</u>	<u>8.94%</u>	<u>8,959,343</u>	<u>7,858,383</u>	<u>14.01%</u>

- The cost financed by users of the District's programs was \$1,004,636.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,044,640.
- The net cost of governmental activities was financed with \$3,372,031 in property tax, \$257,485 in local option sales and services tax, \$4,960,189 in unrestricted state grants and \$183,495 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$561,432 and expenses were \$566,560. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Center Point-Urbana Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$584,508, below last year's ending fund balances of \$2,785,372. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the increase in expenditures not being enough to offset the increase in expenditures.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Overall, total expenditures and revenues both increased; however, the expenditures exceeded revenues allowing the fund balance to decrease \$214,855.
- The Capital Projects Fund balance decreased from \$2,980,114 in fiscal 2006 to an \$821,221 in fiscal 2007. This was due the fund paying for construction costs for the additions and renovation project at the middle school.

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## Proprietary Fund Highlights

The Proprietary Funds net assets decreased from a deficit balance of \$707 at June 30, 2006 to a deficit balance of \$5,835 at June 30, 2007, representing a decrease of 725.32%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$364,672 more than budgeted revenues, a variance of 3.25%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functions due to the District not amending the budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$8,609,848, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 22.71% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$651,151.

The original cost of the District's capital assets was \$17,582,552. Governmental funds account for \$17,508,285 with the remainder of \$74,267 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,071,947 at June 30, 2007, compared to \$0 reported at June 30, 2006. This increase resulted from construction costs related to the middle school additions and renovations project.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 408,736	108,845	0	0	408,736	108,845	73.37%
Construction in progress	2,071,947	0	0	0	2,071,947	0	100.00%
Buildings	5,668,230	6,057,365	0	0	5,668,230	6,057,365	-6.87%
Improvements other than buildings	253,600	341,444	0	0	253,600	341,444	-34.64%
Machinery and equipment	169,233	108,812	38,102	38,043	207,335	146,855	29.17%
Total	\$ 8,571,746	6,616,466	38,102	38,043	8,609,848	6,654,509	22.71%

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## Long-Term Debt

At June 30, 2007, the District had \$8,143,730 in general obligation bonds payable and compensated absences outstanding. This represents a decrease of 4.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District completed payments of the capital loan notes that were issued during fiscal 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 8,025,000	8,350,000	-3.9%
Capital loan notes	0	80,000	-100.0%
Compensated absences	109,730	106,540	3.0%
Totals	\$ 8,134,730	8,536,540	-4.7%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced increasing enrollment trends over the past couple of decades. This trend is expected to continue with new homes and businesses being built in both the Center Point and Urbana communities.
- The additions and renovations project at the middle school should be completed during fiscal 2008. The District is considering the construction of a new high school. If a new high school is to be built, the District would have to pass an additional bond issue for the construction costs.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vanessa Raue, District Secretary, Center Point-Urbana Community School District, 102 Trader Street, Center Point, Iowa, 52213.

BASIC FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 3,046,419	0	3,046,419
Other	1,559,965	34,538	1,594,503
Receivables:			
Property tax:			
Delinquent	42,079	0	42,079
Succeeding year	3,044,847	0	3,044,847
Income surtax	291,522	0	291,522
Interfund	49,400	0	49,400
Accounts	20,058	490	20,548
Accrued interest - ISCAP (Note 5)	18,581	0	18,581
Due from other governments	352,720	0	352,720
Inventories	0	17,122	17,122
Capital assets, net of accumulated depreciation (Note 6)	8,571,746	38,102	8,609,848
<b>Total Assets</b>	<b>16,997,337</b>	<b>90,252</b>	<b>17,087,589</b>
<b>Liabilities</b>			
Interfund payable	0	49,400	49,400
Accounts payable	357,389	70	357,459
Salaries and benefits payable	1,060,420	37,209	1,097,629
ISCAP warrants payable (Note 5)	3,052,000	0	3,052,000
ISCAP accrued interest payable (Note 5)	15,540	0	15,540
ISCAP unamortized premium	19,365	0	19,365
Accrued interest payable	53,915	0	53,915
Deferred revenue:			
Succeeding year property tax	3,044,847	0	3,044,847
Unearned revenue	0	9,408	9,408
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	370,000	0	370,000
Compensated absences	109,730	0	109,730
Portion due after one year:			
General obligation bonds	7,655,000	0	7,655,000
<b>Total Liabilities</b>	<b>15,738,206</b>	<b>96,087</b>	<b>15,834,293</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,255,545	38,102	1,293,647
Restricted for:			
Talented and gifted	103,330	0	103,330
Salary improvement program	695	0	695
Market factor	8,993	0	8,993
Additional teacher contract day	69	0	69
Management levy	27,579	0	27,579
Physical plant and equipment levy	53,373	0	53,373
Capital projects	205,466	0	205,466
Debt service	31,724	0	31,724
Other special revenue purposes	133,511	0	133,511
Unrestricted	(561,154)	(43,937)	(605,091)
<b>Total Net Assets</b>	<b>\$ 1,259,131</b>	<b>(5,835)</b>	<b>1,253,296</b>

SEE NOTES TO FINANCIAL STATEMENTS.



CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern-mental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,782,893	596,748	610,576	(3,575,569)	0	(3,575,569)
Special instruction	1,185,672	180,104	56,471	(949,097)	0	(949,097)
Other instruction	902,618	227,784	9,085	(665,749)	0	(665,749)
	<u>6,871,183</u>	<u>1,004,636</u>	<u>676,132</u>	<u>(5,190,415)</u>	<u>0</u>	<u>(5,190,415)</u>
Support services:						
Student services	259,674	0	0	(259,674)	0	(259,674)
Instructional staff services	175,681	0	0	(175,681)	0	(175,681)
Administration services	1,189,469	0	0	(1,189,469)	0	(1,189,469)
Operation and maintenance of plant services	876,025	0	0	(876,025)	0	(876,025)
Transportation services	379,950	0	2,876	(377,074)	0	(377,074)
	<u>2,880,799</u>	<u>0</u>	<u>2,876</u>	<u>(2,877,923)</u>	<u>0</u>	<u>(2,877,923)</u>
Other expenditures:						
Long-term debt interest	359,946	0	0	(359,946)	0	(359,946)
AEA flowthrough	365,632	0	365,632	0	0	0
Depreciation(unallocated)*	531,059	0	0	(531,059)	0	(531,059)
	<u>1,256,637</u>	<u>0</u>	<u>365,632</u>	<u>(891,005)</u>	<u>0</u>	<u>(891,005)</u>
Total governmental activities	11,008,619	1,004,636	1,044,640	(8,959,343)	0	(8,959,343)
Business-Type activities:						
Support services:						
Administration services	6,166	0	0	0	(6,166)	(6,166)
Non-instructional programs:						
Nutrition services	560,394	398,456	161,810	0	(128)	(128)
Total business-type activities	<u>566,560</u>	<u>398,456</u>	<u>161,810</u>	<u>0</u>	<u>(6,294)</u>	<u>(6,294)</u>
Total	<u>\$ 11,575,179</u>	<u>1,403,092</u>	<u>1,206,450</u>	<u>(8,959,343)</u>	<u>(6,294)</u>	<u>(8,965,637)</u>
General Revenues & Transfers:						
Local tax for:						
General purposes				\$ 2,531,349	0	2,531,349
Debt Service				663,488	0	663,488
Capital outlay				177,194	0	177,194
Local option sales and services tax				257,485	0	257,485
Unrestricted state grants				4,960,189	0	4,960,189
Unrestricted investment earnings				183,495	1,166	184,661
Other				246,662	0	246,662
Gain on sale of equipment				500	0	500
Transfers				138,193	0	138,193
Total general revenues				<u>9,158,555</u>	<u>1,166</u>	<u>9,159,721</u>
Changes in net assets				199,212	(5,128)	194,084
Net assets beginning of year				<u>1,059,919</u>	<u>(707)</u>	<u>1,059,212</u>
Net assets end of year				<u>\$ 1,259,131</u>	<u>(5,835)</u>	<u>1,253,296</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 3,046,419	0	0	3,046,419
Other	493,061	920,141	146,763	1,559,965
Receivables:				
Property tax:				
Delinquent	27,962	0	14,117	42,079
Succeeding year	2,148,088	0	896,759	3,044,847
Income surtax	291,522	0	0	291,522
Interfund	49,400	0	100,000	149,400
Accounts	20,058	0	0	20,058
Accrued interest - ISCAP (Note 5)	18,581	0	0	18,581
Due from other governments	224,161	128,559	0	352,720
<b>Total Assets</b>	<b>\$ 6,319,252</b>	<b>1,048,700</b>	<b>1,157,639</b>	<b>8,525,591</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 100,000	0	0	100,000
Accounts payable	115,217	227,479	14,693	357,389
Salaries and benefits payable	1,060,420	0	0	1,060,420
ISCAP warrants payable (Note 5)	3,052,000	0	0	3,052,000
ISCAP accrued interest payable (Note 5)	15,540	0	0	15,540
ISCAP unamortized premium	19,365	0	0	19,365
Deferred revenue:				
Succeeding year property tax	2,148,088	0	896,759	3,044,847
Income surtax	291,522	0	0	291,522
<b>Total liabilities</b>	<b>6,802,152</b>	<b>227,479</b>	<b>911,452</b>	<b>7,941,083</b>
Fund balances:				
Reserved for:				
Construction	0	708,799	0	708,799
Debt service	0	0	31,724	31,724
Talented and gifted	103,330	0	0	103,330
Salary improvement program	695	0	0	695
Market factor	8,993	0	0	8,993
Additional teacher contract day	69	0	0	69
Unreserved	(595,987)	112,422	214,463	(269,102)
<b>Total fund balances</b>	<b>(482,900)</b>	<b>821,221</b>	<b>246,187</b>	<b>584,508</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,319,252</b>	<b>1,048,700</b>	<b>1,157,639</b>	<b>8,525,591</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$	584,508
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*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		8,571,746
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Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		291,522
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(53,915)
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Long-term liabilities, including general obligation bonds and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,134,730)</u>
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Net assets of governmental activites (page 13)	\$	<u><u>1,259,131</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Nonmajor Special Revenue	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,340,923	257,485	977,427	3,575,835
Tuition	706,255	0	0	706,255
Other	338,658	107,585	310,705	756,948
State sources	5,817,797	0	831	5,818,628
Federal sources	157,791	0	0	157,791
Total revenues	9,361,424	365,070	1,288,963	11,015,457
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	4,712,334	0	0	4,712,334
Special instruction	1,185,672	0	0	1,185,672
Other instruction	534,687	0	365,011	899,698
	6,432,693	0	365,011	6,797,704
Support services:				
Student services	279,601	0	0	279,601
Instructional staff services	195,609	0	0	195,609
Administration services	1,118,790	0	59,664	1,178,454
Operation and maintenance of plant services	828,886	0	62,556	891,442
Transportation services	355,568	74,996	11,843	442,407
	2,778,454	74,996	134,063	2,987,513
Other expenditures:				
Facilities acquisitions	0	2,403,967	45,947	2,449,914
Long-term debt:				
Principal	0	0	405,000	405,000
Interest	0	0	349,251	349,251
AEA flowthrough	365,632	0	0	365,632
	365,632	2,403,967	800,198	3,569,797
Total expenditures	9,576,779	2,478,963	1,299,272	13,355,014
Deficiency of revenues under expenditures	(215,355)	(2,113,893)	(10,309)	(2,339,557)
Other financing sources(uses):				
Transfers in	0	0	264,193	264,193
Transfers out	0	(45,000)	(81,000)	(126,000)
Sale of equipment	500	0	0	500
Total other financing sources(uses)	500	(45,000)	183,193	138,693
Net change in fund balances	(214,855)	(2,158,893)	172,884	(2,200,864)
Fund balances beginning of year	(268,045)	2,980,114	73,303	2,785,372
Fund balances end of year	\$ (482,900)	821,221	246,187	584,508

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (2,200,864)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,601,616	
Depreciation expense	<u>(646,336)</u>	1,955,280

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid		405,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(10,695)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

53,681

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		<u>(3,190)</u>
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Changes in net assets of governmental activities (page 14)

	<u>\$ 199,212</u>	
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SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 34,538
Accounts receivable	490
Inventories	17,122
Capital assets, net of accumulated depreciation(Note 6)	38,102
<b>Total assets</b>	<u>90,252</u>
<b>Liabilities</b>	
Interfund payable	49,400
Accounts payable	70
Salaries and benefits payable	37,209
Unearned revenue	9,408
<b>Total Liabilities</b>	<u>96,087</u>
<b>Net Assets</b>	
Invested in capital assets	38,102
Unrestricted	(43,937)
<b>Total net assets</b>	<u><u>\$ (5,835)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 398,456
OPERATING EXPENSES:	
Support services:	
Administration services	6,166
Non-instructional programs:	
Food service operations:	
Salaries	189,627
Benefits	35,145
Services	5,154
Supplies	325,368
Other	285
Depreciation	4,815
TOTAL OPERATING EXPENSES	<u>566,560</u>
OPERATING LOSS	<u>(168,104)</u>
NON-OPERATING REVENUES:	
State sources	7,235
Federal sources	154,575
Interest income	1,166
TOTAL NON-OPERATING REVENUES	<u>162,976</u>
Change in net assets	(5,128)
Net assets beginning of year	<u>(707)</u>
Net assets end of year	<u>\$ (5,835)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 395,982
Cash received from miscellaneous	2,930
Cash payments to employees for services	(228,493)
Cash payments to suppliers for goods or services	(261,189)
Net cash used in operating activities	<u>(90,770)</u>
Cash flows from non-capital financing activities:	
State grants received	7,235
Federal grants received	116,092
Net cash provided by non-capital financing activities	<u>123,327</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(4,874)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,166</u>
Net increase in cash and cash equivalents	28,849
Cash and cash equivalents at beginning of year	<u>5,689</u>
Cash and cash equivalents at end of year	<u><u>\$ 34,538</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (168,104)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	37,993
Depreciation	4,815
Increase in inventories	(6,503)
Increase in accounts payable	70
Increase in interfund payable	39,058
Increase in salaries and benefits payable	1,445
Increase in unearned revenue	456
Net cash used in operating activities	<u><u>\$ (90,770)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 34,538</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$37,993.

SEE NOTES TO FINANCIAL STATEMENTS.



CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

		Private Purpose Trust Scholarship
<b>Assets</b>		
Cash and pooled investments	\$	24,011
<b>Liabilities</b>		-
<b>Net Assets</b>		
Reserved for scholarships	\$	24,011

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Interest	\$ 737
Donations	300
Total additions	<u>1,037</u>
Deductions:	
Scholarships awarded	<u>1,119</u>
Change in net assets	(82)
Net assets beginning of year	<u>24,093</u>
Net assets end of year	<u><u>\$ 24,011</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Center Point-Urbana Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Center Point and Urbana, Iowa, and the predominate agricultural territory in Linn and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Center Point-Urbana Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Center Point-Urbana Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn and Benton Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the budgeted amounts.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 545,015</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition	\$ 49,400
Activity	General	<u>100,000</u>
Total		<u>\$ 149,400</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Activity	Agency	\$ 138,193
Debt Service	Physical Plant and Equipment Levy	81,000
Debt Service	Capital Projects	45,000
		<u>\$ 264,193</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	298	0	0
2006-07B	1/26/07	1/28/08	780,006	17,605	782,000	14,962
2007-08A	6/27/07	6/27/08	2,266,413	678	2,270,000	578
Total			\$ 3,046,419	18,581	3,052,000	15,540

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is the following:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	900,000	900,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.000%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 108,845	299,891	0	408,736
Construction in progress	0	2,071,947	0	2,071,947
Total capital assets not being depreciated	108,845	2,371,838	0	2,480,683
Capital assets being depreciated:				
Buildings	13,366,175	54,080	0	13,420,255
Land improvements	848,837	0	137,859	710,978
Machinery and equipment	720,671	175,698	0	896,369
Total capital assets being depreciated	14,935,683	229,778	137,859	15,027,602
Less accumulated depreciation for:				
Buildings	7,308,810	443,215	0	7,752,025
Land improvements	507,393	87,844	137,859	457,378
Machinery and equipment	611,859	115,277	0	727,136
Total accumulated depreciation	8,428,062	646,336	137,859	8,936,539
Total capital assets being depreciated, net	6,507,621	(416,558)	0	6,091,063
Governmental activities capital assets, net	\$ 6,616,466	1,955,280	0	8,571,746
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 79,043	4,874	9,650	74,267
Less accumulated depreciation	41,000	4,815	9,650	36,165
Business-type activities capital assets, net	\$ 38,043	59	0	38,102

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 73,404
Other	2,920
Support services:	
Administration	11,720
Operation and maintenance	2,851
Transportation	24,382
	115,277
Unallocated depreciation	531,059
Total governmental activities depreciation expense	\$ 646,336
Business-type activities:	
Food services	\$ 4,815

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 8,350,000	0	325,000	8,025,000	370,000
Capital Loan Notes	80,000	0	80,000	0	0
Compensated Absences	106,540	109,730	106,540	109,730	109,730
Total	<u>\$ 8,536,540</u>	<u>109,730</u>	<u>511,540</u>	<u>8,134,730</u>	<u>479,730</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 1, 2006			Bond Issue March 1, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2008	4.00 %	\$ 60,000	120,775	3.25-3.30 %	\$ 310,000	130,701
2009	4.00	60,000	118,375	3.30	315,000	120,510
2010	4.25	65,000	115,975	3.30-3.35	325,000	110,033
2011	4.25	65,000	113,212	3.35-3.40	340,000	99,018
2012-2016	4.15-4.30	125,000	541,588	3.40-3.70	1,885,000	308,190
2017-2021	4.15-4.30	425,000	496,500	3.70-3.80	620,000	24,985
2022-2026	4.25-4.30	2,035,000	298,175		-	-
		<u>\$ 2,835,000</u>	<u>1,804,600</u>		<u>\$ 3,795,000</u>	<u>793,437</u>

Bond Issue May 1, 2002			Total	
Interest Rates	Principal	Interest	Principal	Interest
- %	\$ -	69,500	\$ 370,000	320,976
-	-	69,500	375,000	308,385
-	-	69,500	390,000	295,508
-	-	69,500	405,000	281,730
-	-	347,500	2,010,000	1,197,278
4.90-5.00	1,045,000	287,850	2,090,000	809,335
5.00	350,000	17,500	2,385,000	315,675
	<u>\$ 1,395,000</u>	<u>930,850</u>	<u>\$ 8,025,000</u>	<u>3,528,887</u>

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$354,610, \$300,998, and \$313,867 respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection to the District in the following categories: long-term disability and life insurance. District contributions to ISEBA for the year ended June 30, 2007 were \$16,336.

Center Point-Urbana Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$365,632 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance**

The District has a deficit unreserved fund balance in the General Fund of \$595,987. The School Nutrition Fund has deficit unrestricted net assets of \$43,937.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the budgeted amounts.

**(13) Construction Commitment**

The District has entered into a construction contract totaling \$2,231,716 for additions and renovations to the middle school. As of June 30, 2007, costs of \$2,071,947 had been incurred against the contract. The balance of \$159,769 remaining at June 30, 2007, will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,039,038	399,622	5,438,660	5,312,762	5,312,762	125,898
State sources	5,818,628	7,235	5,825,863	5,577,455	5,577,455	248,408
Federal sources	157,791	154,575	312,366	322,000	322,000	(9,634)
Total revenues	11,015,457	561,432	11,576,889	11,212,217	11,212,217	364,672
Expenditures:						
Instruction	6,797,704	0	6,797,704	6,472,370	6,472,370	(325,334)
Support services	2,987,513	6,166	2,993,679	2,909,300	2,909,300	(84,379)
Non-instructional programs	0	560,394	560,394	577,000	577,000	16,606
Other expenditures	3,569,797	0	3,569,797	4,269,149	4,269,149	699,352
Total expenditures	13,355,014	566,560	13,921,574	14,227,819	14,227,819	306,245
Deficiency of revenues over expenditures	(2,339,557)	(5,128)	(2,344,685)	(3,015,602)	(3,015,602)	(670,917)
Other financing sources, net	138,693	0	138,693	2,752,229	2,752,229	2,613,536
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(2,200,864)	(5,128)	(2,205,992)	(263,373)	(263,373)	1,942,619
Balances beginning of year	2,785,372	(707)	2,784,665	395,853	395,853	2,388,812
Balances end of year	\$ 584,508	(5,835)	578,673	132,480	132,480	446,193

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the budgeted amounts.



OTHER SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Special Revenue Funds						
	Manage-	Student	Physical	Total			Total
	ment	Activity	Plant and	Special	Debt		Nonmajor
	Levy		Equipment	Revenue	Service		Governmental
			Levy				Funds
<b>Assets</b>							
Cash and pooled investments	\$ 25,695	45,041	53,959	124,695	22,068		146,763
Receivables:							
Property tax:							
Current year delinquent	1,884	0	2,577	4,461	9,656		14,117
Succeeding year	120,000	0	184,075	304,075	592,684		896,759
Interfund	0	100,000	0	100,000	0		100,000
<b>Total assets</b>	<b>\$ 147,579</b>	<b>145,041</b>	<b>240,611</b>	<b>533,231</b>	<b>624,408</b>		<b>1,157,639</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 0	11,530	3,163	14,693	0		14,693
Deferred revenue:							
Succeeding year property tax	120,000	0	184,075	304,075	592,684		896,759
Total liabilities	120,000	11,530	187,238	318,768	592,684		911,452
Unreserved fund balances	27,579	133,511	53,373	214,463	31,724		246,187
<b>Total liabilities and fund balances</b>	<b>\$ 147,579</b>	<b>145,041</b>	<b>240,611</b>	<b>533,231</b>	<b>624,408</b>		<b>1,157,639</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 136,745	0	177,194	313,939	663,488	977,427
Other	12,727	297,459	0	310,186	519	310,705
Federal sources	119	0	150	269	562	831
TOTAL REVENUES	149,591	297,459	177,344	624,394	664,569	1,288,963
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	365,011	0	365,011	0	365,011
Support services:						
Administration services	59,264	0	400	59,664	0	59,664
Operation and maintenance of plant services	57,556	0	5,000	62,556	0	62,556
Student transportation	11,843	0	0	11,843	0	11,843
Other expenditures:						
Facilities acquisitions	0	0	45,947	45,947	0	45,947
Long-term debt:						
Principal	0	0	0	0	405,000	405,000
Interest and fiscal charges	0	0	0	0	349,251	349,251
TOTAL EXPENDITURES	128,663	365,011	51,347	545,021	754,251	1,299,272
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,928	(67,552)	125,997	79,373	(89,682)	(10,309)
OTHER FINANCING SOURCES (USES):						
Transfer in	0	138,193	0	138,193	126,000	264,193
Transfer out	0	0	(81,000)	(81,000)	0	(81,000)
TOTAL OTHER FINANCING SOURCES (USES)	0	138,193	(81,000)	57,193	126,000	183,193
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	20,928	70,641	44,997	136,566	36,318	172,884
FUND BALANCES BEGINNING OF YEAR	6,651	62,870	8,376	77,897	(4,594)	73,303
FUND BALANCES END OF YEAR	\$ 27,579	133,511	53,373	214,463	31,724	246,187

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Middle school yearbook	\$ 880	2,370	1,946	0	1,304
High school annual	14,736	13,325	11,750	0	16,311
General athletics	0	10,739	10,639	0	100
Wellness	0	1,594	0	0	1,594
Now account	40	0	40	0	0
Drama	4,119	0	(501)	0	4,620
HS musical	75	769	844	0	0
HS computer lab	1,179	304	715	0	768
Storm troopers	2,006	3,458	3,847	0	1,617
Show choir	1,145	18,725	11,659	0	8,211
Cross country	0	1,955	1,955	0	0
Golf	0	121	121	0	0
Boys basketball	2,394	9,538	12,129	0	(197)
Football	4,314	26,487	29,680	0	1,121
Boys soccer	0	1,740	1,740	0	0
Boys baseball	0	5,271	4,597	0	674
Boys track	948	2,818	3,735	0	31
Boys wrestling	2,359	7,040	8,201	0	1,198
Girls basketball	3,482	7,556	9,684	0	1,354
Volleyball	1,630	4,137	3,938	0	1,829
Girls soccer	0	1,091	1,091	0	0
Softball	0	6,435	2,868	0	3,567
Girls track	809	3,969	4,778	0	0
Jump rope for heart	15	0	15	0	0
Elementary pop	998	1,927	3,061	0	(136)
FCCLA	328	4,042	3,402	0	968
HS pop	(63)	528	510	0	(45)
Senior science trip	72	8,664	8,395	0	341
Home economics	309	962	948	0	323
Model UN scholarship fund	1,596	600	984	0	1,212
National honor society	121	576	572	0	125
Student council	5,311	15,100	14,460	0	5,951
Spanish club	474	6,099	3,418	0	3,155
MS pop	266	2,975	2,303	0	938
Drill team	1,167	6,636	5,740	0	2,063
Middle school pep club	145	3,764	4,367	0	(458)
MS choir	0	5,699	1,304	0	4,395
MS band	0	1,699	1,650	0	49
Cheerleaders	4,671	7,066	7,048	0	4,689
Senior class trip	1,634	4,095	2,500	0	3,229
Childrens theatre	2,092	731	276	0	2,547
Class of 2007	3,023	25	1,940	0	1,108
Class of 2008	35	22,065	18,604	0	3,496
Class of 2009	372	0	372	0	0
Class of 2010	188	40	233	0	(5)
HS band/jazz band	0	28,043	37,761	13,219	3,501
CPU music parents	0	4,929	82,320	96,020	18,629
Booster club	0	41,752	37,372	28,954	33,334
Total	\$ 62,870	297,459	365,011	138,193	133,511

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 138,193	0	138,193	0
<b>Liabilities</b>				
Due to other groups	138,193	0	138,193	0
	\$ 138,193	0	138,193	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,575,835	3,234,742	3,168,824	2,767,200
Tuition		706,255	799,047	648,293	518,066
Other		756,948	549,533	495,114	523,710
State sources		5,818,628	5,249,603	4,788,783	4,563,957
Federal sources		157,791	236,046	194,351	300,718
Total	\$	11,015,457	10,068,971	9,295,365	8,673,651
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	4,712,334	4,307,045	4,094,228	3,592,606
Special instruction		1,185,672	1,214,103	1,247,292	1,022,362
Other instruction		899,698	775,325	726,625	725,111
Support services:					
Student services		279,601	261,587	227,799	238,722
Instructional staff services		195,609	181,220	178,849	130,564
Administration services		1,178,454	1,286,724	1,038,110	819,307
Operation and maintenance of plant services		891,442	904,531	858,577	749,813
Transportation services		442,407	353,667	424,126	298,354
Other expenditures:					
Facilities acquisitions		2,449,914	156,450	94,194	1,500,511
Long-term debt:					
Principal		405,000	365,000	395,007	270,000
Interest		349,251	272,930	271,256	293,367
AEA flow-through		365,632	325,981	304,335	297,732
Total	\$	13,355,014	10,404,563	9,860,398	9,938,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Center Point -Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Center Point - Urbana Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center Point-Urbana Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Center Point-Urbana Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Center Point-Urbana Community School District's financial statements that is more than inconsequential will not be prevented or detected by Center Point-Urbana Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Center Point-Urbana Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

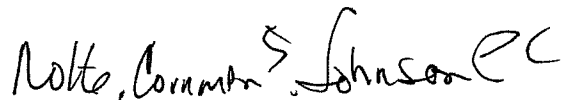
As part of obtaining reasonable assurance about whether Center Point-Urbana Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Center Point-Urbana Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Center Point-Urbana Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Center Point-Urbana Community School District and other parties to whom Center Point-Urbana Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Center Point-Urbana Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2008



CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

- I-B-07 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - We are in the process of reviewing options to this policy and adopting one.

Conclusion - Response accepted.

- I-C-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We are in the process of reviewing and changing this process.

Conclusion - Response accepted.

- I-D-07 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds by the sponsor provides a risk of loss due to possible theft, improper use, as well as lack of reporting of the funds.

We also noted that when collected receipts are finally turned in by sponsors, District employees are not always issuing a receipt to the sponsor.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The District should take necessary steps to require all individuals to turn in collected money timely.

The District's internal control could be improved by issuing receipts to sponsors when funds are turned in and counted. Any discrepancies can be investigated and resolved at that time.

Response - The District will continue to work towards the goal of achieving better accountability for sponsors and the procedures sponsors should follow.

Conclusion - Response accepted.

- I-E-07 Deposit Slips - We noted during our audit that deposit slips prepared by District staff did not include detail listing of checks and cash that made up deposits. Without detail on deposit slips, deposits made were difficult to reconcile back to the receipts.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

Response - The District will continue to work towards this goal.

Conclusion - Response accepted.

- I-F-07 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will discontinue this practice.

Conclusion - Response accepted.

I-G-07 Corrective Transfer - During the year the District had capital loan notes payable of \$80,000 in principal and \$2,000 in interest. The District made a transfer from the Physical Plant and Equipment Levy Fund (PPEL) of \$81,000 to pay for the capital loan notes. The Debt Service Fund paid the remaining \$1,000 when the PPEL Fund should have paid for this cost.

Recommendation - The District should transfer \$1,000 from the PPEL Fund to the Debt Service Fund to cover the cost.

Response - The corrective transfer was made to cover the cost.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the budgeted amounts.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor this closer to keep this from occurring in the future.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Beth Seltrecht, Lunch Clerk Spouse owns Seltrecht Excavating	Purchased services	\$6,581
William Wright, Bus Driver Partial owner of Wrightway Sales & Associates	Purchased services	\$480
Shawn Havener, Art Teacher Owner of Southern Winds Studio	Purchased services	\$872

In accordance with Attorney General's Opinion dated November 9, 1976, the above transaction with the employee's spouse doesn't appear to present a conflict of interest.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the bus driver or the art teacher do not appear to present a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Minutes were sent to the paper timely, but we have no control over when the minutes are actually published. In the future, the District will retain e-mails of when minutes are sent to the paper to show compliance with 279.35 of the Code of Iowa.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - During our audit we noted the District has a deficit unreserved fund balance in the General Fund of \$595,987. The School Nutrition Fund has deficit unrestricted net assets of \$43,937. We also noted negative account balances within the Student Activity Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor our finances and take steps to eliminate the deficit.

Conclusion - Response accepted.